

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name LYONS TOWNSHIP DISTRICT LIBRARY	County IONIA
Fiscal Year End 02/28/2007	Opinion Date 7/27/2007	Date Audit Report Submitted to State 08/31/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

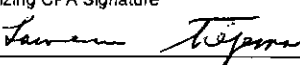
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	COMMENT OF '06 AUDIT TO ADOPT UNIFORM CHART OF ACCOUNTS HAS NOT YET BEEN IMPLEMENTED.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) LAWRENCE TIEJEMA, PC		Telephone Number 616-642-0384	
Street Address 31 EAST MAIN STREET, PO BOX 10		City SARANAC	State MI
		Zip 48881	
Authorizing CPA Signature 	Printed Name LAWRENCE TIEJEMA	License Number 1101026843	

# LYONS TOWNSHIP DISTRICT LIBRARY

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**Lawrence Tiejema, PC    Certified Public Accountant**  
**31 E. Main Street, PO Box 10, Saranac, MI 48881**  
**616-642-0384    fax: 616-642-0610    email: [tiej@iserv.net](mailto:tiej@iserv.net)**

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INDEPENDENT AUDITOR'S REPORT

July 27, 2007

The Library District Board  
Lyons Township District Library  
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities of Lyons Township District Library, Ionia County, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Library District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library District management. My responsibility is to express opinions on these financial statements based on my audit.

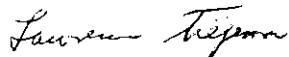
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Lyons Township District Library, as of February 28, 2007, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated July 27, 2007, on my consideration of Lyons Township District Library's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyons Township District Library basic financial statements. The governmental schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.



Lawrence Tiejema, PC.

July 27, 2007

## **Management Discussion and Analysis**

The Lyons Township District Library is making good use of its new building. Additional shelving is accommodating many new additions to our book collection, and 5 computers donated by the Bill and Melinda Gates Foundation are meeting the information technology needs of our many users.

### **Financial Highlights**

- (1) A certificate of deposit for \$20,000 was opened at Independent Bank in April 2006 to increase the library's investment earnings. As of February 28, 2007, the interest earned was \$904.43.
- (2) A check for \$1,000 was received in October 2006 from the Capitol Library Cooperative to be used for technology.
- (3) The Library District expended funds to upgrade technology by purchasing a laser color printer, setting up computers, and installing wireless bridges at a cost of \$1,232. In addition, book cases and computer tables were obtained for \$2,250.
- (4) The Library's book and books on CD collections were enhanced by purchases of \$18,606. This compares to book expenditures of \$14,166 during the previous year.
- (5) The policies of the Lyons District Library are being revised. This has resulted in legal fees of \$1,173 during the year ended February 28, 2007. Policies on internet usage and patron responsibility have been finished. We are currently working on the personnel policy and employee handbook.
- (6) The fund balance of our Library increased from \$17,936 to a total of \$123,395 for the year ended February 28, 2007. This is slightly more than a normal year's expenditures.
- (7) Penal fine income can vary greatly from one year to the next. For the year ended February 28, 2007, penal income increased by \$8,637 compared to the year before.
- (8) Five new Dell computers were installed at the Library in February 2007. The computers were a gift from the Bill and Melinda Gates Foundation.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District Library's basic financial statements. The District Library's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the District Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District Library is improving or deteriorating. The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Local governments may have activities that are intended to recover all or a significant portion of their costs through user fees and charges. Lyons Township District Library has no such activities. All financial resources and expenditures are maintained in the general fund. Through its general fund, Lyons Township District Library provides library services for Lyons Township and the villages of Muir, Lyons, and Pewamo. The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 15 to 25 of this report.

### Net Assets of Lyons Township District Library

#### Lyons Township District Library Net Assets

	Year ended February 28, 2007	Year ended February 28, 2006
Current and other assets	\$ 125,738	\$ 107,553
Capital assets	286,276	295,184
Total assets	412,014	402,737
Long-term liabilities outstanding		
Other liabilities	2,343	2,094
Total liabilities	2,343	2,094
Net assets:		
Invested in capital assets, net of related debt	286,276	295,184
Restricted		
Unrestricted	123,395	105,459
Total net assets	\$ 409,671	\$ 400,643

Lyons Township District Library increased its net assets by \$9,028 during the year ended February 28, 2007. The gift of Dell computers from the Bill and Melinda Gates Foundation accounted for \$5,827 of this amount. The Library's current assets consist of cash deposits of \$43,572, prepaid expenses of \$2,804, and library millage receivable of \$79,362. The library millage was assessed in December 2006 and is recorded as revenue for the year ended February 28, 2007. However, the library does not usually receive the library millage payment until March. The liabilities of the Library consist of purchases of library materials made in January or February that are not paid until after the fiscal year closes.



### Lyons Township District Library Changes in Net Assets

	Year ended February 28, 2007	Year ended February 28, 2006
Revenue:		
Program revenue:		
Charges for services	3,521	2,849
General revenue:		
Property taxes	79,362	77,626
Penal Fines	35,749	27,112
State revenue sharing	2,664	3,030
Other	7,523	8,127
Total revenue	128,819	118,744
Expenses:		
Library personnel	58,377	54,527
Library materials	32,633	29,483
Library administration	28,781	28,634
Disposal of former library building		81,760
Total expenses	119,791	194,404
Increase (decrease) in net assets	9,028	(75,660)
Net assets - beginning of year	400,643	476,323
Prior period adjustment		(20)
Net assets - end of year	409,671	400,643

Income went up and expenses went down for the year ended February 28, 2007. Property tax income rose \$1,726 while penal fines increased \$8,637. While expenses for library personnel increased by 8.4%, library administrative expenses increased by only .6%. The lower administrative costs were due to savings in insurance and utility costs realized by operating only one library building. The increase in the cost of library materials was due mostly to increased book purchases to fill the new shelves in the new library building.

**Lyons Township District Library Capital Assets**  
(net of depreciation)

	Year ended February 28, 2007	Year ended February 28, 2006
Building and Improvements	150,414	154,377
Book Collection	116,105	126,321
Machinery and Equipment	19,757	14,486
<b>Total Assets</b>	<b>286,276</b>	<b>295,184</b>

The capital assets net of depreciation actually decreased \$8,908 for the year ended February 28, 2007 because the depreciation expense exceeded the cost of new capital assets. During the year, the Library purchased and received fixed assets of \$28,480. The purchase of new books and books on CD accounted for \$18,606, furniture and equipment cost \$3,482, and the donated computers have a fair market value of \$6,475.

**Looking to the Future**

Our library has completed a successful year in our new building. The additional book shelves have helped us to add to our book collection and appeal to the many and varied interests of our patrons. The 5 new computers have been installed and hooked up to a wireless internet connection. The new computers with modern capabilities are able to make good use of the high-speed internet connection.

Our library's funding is fairly stable. The library millage and penal fines represent nearly 90% of our yearly revenues. While penal fine revenue can vary from year to year, the library millage revenue increases about 2 to 3% a year. Our current fund balance of \$123,395 is slightly more our total expenditures for one year. This will help us to get through a year in which penal fines and state revenue sharing go down.

Our Library is maintaining several excellent programs while always looking to fill the additional needs of our patrons. A successful summer reading program with the theme "Get a Clue" was just completed with 40 participants and the help of our board member storyteller. Our adult book club and pre-school reading programs, which operate all year long, continue to be a great successes. In addition, we are exploring the possibility of an internet class for senior citizens. We continue to balance the needs of our patrons with the financial reality of our budget. Our financial reserve will help us to provide quality library services in the coming years.

**LYONS TOWNSHIP DISTRICT LIBRARY**

**STATEMENT OF NET ASSETS**

**February 28, 2007**

	<b>Governmental Activities</b>	
	<b>February 28, 2007</b>	<b>February 28, 2006</b>
<b>Assets</b>		
Current assets		
Cash and deposits	\$ 22,668	\$ 29,827
Investments	20,904	-
Prepaid expenses	2,804	2,634
Due from other governments	79,362	75,092
	<hr/>	<hr/>
Total current assets	125,738	107,553
Non-current assets		
Capital assets	492,746	464,266
Less: accumulated depreciation	(206,470)	(169,082)
Net capital assets	286,276	295,184
	<hr/>	<hr/>
<b>Total Assets</b>	<b>412,014</b>	<b>402,737</b>
	<hr/>	<hr/>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	2,343	767
Deferred revenue	-	1,327
Total current liabilities	2,343	2,094
	<hr/>	<hr/>
<b>Net Assets</b>		
Invested in capital assets	286,276	295,184
Unrestricted net assets	123,395	105,459
	<hr/>	<hr/>
<b>Total net assets</b>	<b>\$ 409,671</b>	<b>\$ 400,643</b>
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

Functions/ Programs	Expenses	Program Revenues	Net (Expense) Revenues
		Charges for Service	
<b>Governmental activities:</b>			
Culture and recreation:			
Library personnel	\$ 58,377	\$ -	\$ (58,377)
Library materials	32,633	2,173	\$ (30,460)
Library administration	<u>28,781</u>	<u>1,348</u>	<u>\$ (27,433)</u>
Total government activities	<u>119,791</u>	<u>3,521</u>	<u>(116,270)</u>
General revenues:			
Property taxes			79,362
Penal fines			35,749
State revenue sharing			2,664
Investment earnings			912
Other donations			<u>6,611</u>
Total general revenues			125,298
Changes in net assets			<u>9,028</u>
Net assets at the beginning of year			400,643
Net assets at the end of year			<u>\$ 409,671</u>

The accompanying notes are an integral part of these financial statements.

LYONS TOWNSHIP DISTRICT LIBRARY

BALANCE SHEET

GOVERNMENTAL FUNDS

FEBRUARY 28, 2007

GENERAL FUND		
	<u>February 28, 2007</u>	<u>February 28, 2006</u>
<b>ASSETS:</b>		
Cash and deposits	\$ 22,668	\$ 29,827
Investments	20,904	-
Prepaid expenses	2,804	2,634
Due from other governments	79,362	75,092
TOTAL ASSETS	<u>125,738</u>	<u>107,553</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
LIABILITIES:		
Accounts payable	2,343.00	767
Deferred revenue	<u>←0</u>	<u>1,327</u>
TOTAL LIABILITIES	<u>2,343</u>	<u>2,094</u>
<b>FUND BALANCE</b>		
Undesignated	123,395	105,459
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 125,738</u>	<u>\$ 107,553</u>

The accompanying notes are an integral part of these financial statements.

LYONS TOWNSHIP DISTRICT LIBRARY

Governmental Funds

Reconciliation of Fund Balances of Governmental Funds to Net Assets

February 28, 2007

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Fund balance -- total governmental funds.....	\$ 123,395
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- capital assets.....	492,746
Deduct -- accumulated depreciation.....	(206,470)
Net assets of governmental activities.....	<u>\$ 409,671</u>

The accompanying notes are an integral part of these financial statements.

**LYONS TOWNSHIP DISTRICT LIBRARY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED FEBRUARY 28, 2007**

**GENERAL FUND**

	<u>Year ended 02/28/2007</u>	<u>Year ended 02/28/2006</u>
<b>REVENUES:</b>		
Property taxes	\$ 79,362	\$ 77,626
Penal fines	35,749	27,112
State revenue sharing	2,665	3,030
Interest earnings	912	245
Donations	6,611	7,882
Sale of building	-	30,178
Other revenues	3,520	2,849
<b>TOTAL REVENUES</b>	<u>128,819</u>	<u>148,922</u>
<b>EXPENDITURES:</b>		
Wages	51,351	47,586
Payroll taxes	4,025	3,640
Fringe benefits	3,001	3,300
Books	19,356	14,666
Periodicals	630	169
Supplies and travel	3,362	2,886
Repairs and maintenance	1,181	1,262
Equipment rental	315	533
Audio-visual	2,431	1,538
Membership dues and fees	3,847	3,976
Insurance	3,155	4,000
Utilities	4,914	7,045
Professional services	3,358	2,388
Capital outlay	9,957	51,727
Miscellaneous	-	65
<b>TOTAL EXPENDITURES</b>	<u>110,883</u>	<u>144,781</u>
Excess of revenues over (under) expenditures	17,936	4,141
Fund balances, beginning of year	105,459	101,318
Prior period adjustment		
Fund balances, end of year	<u>\$ 123,395</u>	<u>\$ 105,459</u>

The accompanying notes are an integral part of these financial statements.

**LYONS TOWNSHIP DISTRICT LIBRARY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**YEAR ENDED FEBRUARY 28, 2007**

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Net change in fund balances -- total government funds.....	\$	17,936
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:		
Add -- Capital Assets acquired and expensed by depreciation		28,480
Deduct - depreciation expense.....		(37,388)
Change in net assets of government activities.....	\$	<u>9,028</u>

The accompanying notes are an integral part of these financial statements.



**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Lyons Library was formed in 1980 and organized as the Lyons Township District Library in January 2003, under the applicable laws of the State of Michigan. The District Library is governed by an 8-member Library Board appointed by the municipalities of Lyons Township, Village of Lyons, Village of Muir, and Village of Pewamo with each municipality appointing 2 members. The goal of the Lyons Township District Library Board is to provide efficient and courteous library service, encourage the education of library personnel, and support the Library Bill of Rights.

The financial statements of the Library District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District Library's accounting policies are described below:

**The Reporting Entity**

As required by generally accepted accounting principles, these financial statements present a financial report on all funds of Lyons Township District Library.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Library District. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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**Fund Accounting**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District Library reports all of its financial activity in the General Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District Library has elected not to follow subsequent private-sector guidance in the Statement of Net Assets and the Statement of Activities.

**Budgets and Budgetary Accounting**

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The District Library follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from the library director, library employees, and the library board.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.

**Investments**

Investments are stated at fair value.

**Restricted Assets**

Certain proceeds may be set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. The Lyons Township District Library has no restrictions on its net assets.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental funds in the government-wide financial statements. The District Library does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Building and structures.....	10 - 40
Furniture and equipment.....	5 - 15
Building and lot improvements.....	15
Trucks and vehicles.....	5
Machinery and equipment.....	5 - 15

**Property Taxes**

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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These winter tax bills include the District Library's voted millage. Subsequent to the winter tax collections by the townships, the County Treasurer remits the district library's share of the property taxes.

**Fund Equity**

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent restricted net assets equal to restricted assets less related liabilities. The general fund of Library District has no reservation or designations of its \$123,395 fund balance.

**Risk Management**

The Library District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2007, the District Library was covered by a liability and property insurance policy through the Michigan Municipal League Liability and Property Pool.

The insurance limitations are: Property, \$341,017; Liability, \$1,000,000; Wrongful acts, \$1,000,000; Employee bonds, \$100,000.

**2. CASH AND DEPOSITS AND INVESTMENTS**

The carrying amount of the Library District deposits at February 28, 2007, is \$43,572. All of these deposits are insured by the Federal Deposit Insurance Corporation. In accordance with State of Michigan policy limits, these deposits are all deposited in a Michigan bank. All accounts are in the name of the Library District and a specific fund or common account. They are recorded in the Library District records at fair value.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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**Statutory Authority**

State statutes authorize the Library District to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after date of purchase.
4. Banker's acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Library District investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Library District or its agent in the Library District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the District Library's name.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District Library's name. Investments held by the District Library are reported at fair value.

All deposit accounts of Lyons Township District Library are in Category 1, registered and insured and are listed as follows:

<u>Depository</u>	<u>Account</u>	<u>Amount @ 02/28/07</u>
General Fund:		
Independent Bank	General Fund checking account	\$ 21,051.69
Independent Bank	General Fund Maxi savings account	1,590.40
Independent Bank	Certificate of deposit	20,904.43
District Library office	Petty cash	25.00
		<hr/>
	TOTAL DEPOSITED FUNDS.....	\$ 43,571.52



**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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**3. CAPITAL ASSETS**

A summary of changes in Capital Assets follows:

	Balance March 1, 2006	Additions	Disposals	Balance February 28, 2007
Governmental activities:				
Capital Assets:				
Buildings and Improvements	\$158,533			\$158,533
Book Collection	278,131	18,523		296,654
Furniture and equipment	27,602	9,957		37,559
<b>Total Assets</b>	<b>464,266</b>	<b>28,480</b>		<b>492,746</b>
Less accumulated depreciation:				
Buildings and Improvements	4,156	3,963		8,119
Book Collection	151,810	28,739		180,549
Furniture and equipment	13,116	4,686		17,802
<b>Total depreciation</b>	<b>169,082</b>	<b>37,388</b>		<b>206,470</b>
<b>Capital Assets, net</b>	<b>\$295,184</b>			<b>\$286,276</b>

Depreciation expense was charged to functions/programs of the general government as follows:

Library materials.....	\$ 28,739
Library administration.....	<u>8,649</u>
Total depreciation.....	\$ 37,388

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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**4. PENSION PLAN**

The Lyons Township District Library does not have a pension plan for its employees. However, the Library District provides an amount to the librarian to invest in a tax sheltered annuity. For the year ended February 28, 2007, the District Library provided \$2,500 for this purpose.

**5. LITIGATION**

In the normal course of its activities, the District Library has become a party in various legal actions, including property tax assessment appeals. Management of the Library District is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Library District and, therefore, has not reflected loss reserves in the financial statements.

**6. PREPAID EXPENSES**

The Lyons Township District Library has paid expenses for several activities under agreements that extend beyond the fiscal year ended February 28, 2007. Prepaid expenses as of February 28, 2007, are the following:

Property Insurance.....	\$ 2,650
Worker's Compensation Insurance.....	91
Books: audio-book lease.....	<u>63</u>
Total Prepaid Expenses.....	\$ 2,804

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

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**7. DUE FROM OTHER GOVERNMENTS**

The public library system in Ionia County is supported by a voted millage. Tax bills for year 2006 were sent to all owners of real and personal property in the District in December 2006 with a due date of February 14, 2007. In accordance with accepted governmental accounting standards, the voted millage is revenue for the year ended February 28, 2007, even though the proceeds from this millage are not paid to the Library District until after the close of the fiscal year. Accordingly, millage proceeds of \$79,362.21 have been accrued as of February 28, 2007.

## **SUPPLEMENTAL INFORMATION**

### **GENERAL FUND**

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The General Fund is used to account for District Library resources that are not required legally or by sound financial management to be recorded in another fund. Revenues in this fund are derived primarily from a voted library millage, penal fines, state revenue sharing, fees for library services.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

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**LYONS TOWNSHIP DISTRICT LIBRARY  
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND  
YEAR ENDED FEBRUARY 28, 2007**

	<b>BUDGETED AMOUNTS</b>			<b>VARIANCE WITH FINAL POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>				
Property taxes	\$ 72,000	\$ 72,000	\$ 79,362	\$ 7,362
Penal fines	26,000	36,590	35,749	(841)
State revenue sharing	2,600	2,600	2,665	65
Donations	450	450	6,611	6,161
Library services	1,550	1,550	2,173	623
Library fines	750	750	965	215
Merchandise sales	315	315	382	67
Interest	9	9	912	903
Grants	1,578	1,578	-	(1,578)
<b>TOTAL REVENUES</b>	<b>105,252</b>	<b>115,842</b>	<b>128,819</b>	<b>12,977</b>
<b>EXPENDITURES:</b>				
Wages	49,000	51,500	51,351	149
Payroll taxes	5,900	5,900	4,025	1,875
Fringe benefits	3,925	3,925	3,001	924
Books	13,500	13,500	19,356	(5,856)
Periodicals	750	750	630	120
Supplies	2,425	4,055	3,362	693
Repairs and maintenance	3,550	3,550	1,181	2,369
Equipment rental	450	450	315	135
Audio Visual	1,250	1,250	2,431	(1,181)
Membership dues and fees	3,816	3,816	3,847	(31)
Insurance	3,400	3,400	3,155	245
Utilities	6,200	6,200	4,914	1,286
Professional services	3,150	3,150	3,358	(208)
Capital outlay	6,358	6,358	9,957	(3,599)
<b>TOTAL EXPENDITURES</b>	<b>103,674</b>	<b>107,804</b>	<b>110,883</b>	<b>(3,079)</b>
REVENUES OVER (UNDER) EXPENDITURES	1,578	8,038	17,936	9,898
<b>NET CHANGE IN FUND BALANCES</b>				
FUND BALANCE, BEGINNING OF YEAR	105,459	105,459	105,459	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 107,037</b>	<b>\$ 113,497</b>	<b>\$ 123,395</b>	<b>\$ -</b>

**Lawrence Tiejema, PC   Certified Public Accountant**  
**31 E. Main Street, PO Box 10, Saranac, MI 48881**  
**616-642-0384   fax: 616-642-0610   email: tiej@iserv.net**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

July 27, 2007

Lyons Township District Library Board  
Lyons Township  
Ionia County, Michigan

I have audited the financial statements of the governmental activities of the Lyons Township District Library of Lyons Township, State of Michigan, as of and for the year ended February 28, 2007, which collectively comprise the District Library's basic financial statements and have issued a report thereon dated July 27, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Lyons Township District Library's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. As discussed below, I identified a deficiency in internal control over financial reporting that I consider to be significant deficiency.

A control deficiency exists when the design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

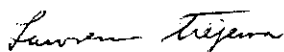
The operating checkbook of the District Library was not reconciled with the bank correctly for every month during the year. Though a reconciliation was executed on the District Library's accounting software, the balance of the bank and/or checkbook register in the software's report did not always match the actual balances reported by the bank and/or checkbook register.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyons Township District Library's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The Lyons Township District Library maintains a chart of accounts that does not match in all aspects the Uniform Chart of Accounts required by MCL 141.421.

At the same time, the District Library's Chart of the Accounts is consistent with the operations of the District Library and, in my opinion, does not represent a material weakness in internal control. Except for the non-compliance of the District Library's Chart of Accounts, the results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Lawrence Tiejema, PC.

July 27, 2007

**Lawrence Tiejema, PC   Certified Public Accountant**

**31 E. Main Street, Saranac, MI 48881   616-642-0384**  
**fax: 616-642-0610   email: [tiej@iserv.net](mailto:tiej@iserv.net)**

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August 27, 2007

Lyons Township District Library Board  
Lyons Township  
County of Ionia

To the Board of Lyons Township District Library:

You may refer to my report on internal control over financing reporting and compliance with laws and established accounting procedures. The report states that I noted one issue involving internal control of financial reporting that would be considered a significant deficiency. This issue involved the balancing of the District Library's checking account. The bank reconciliation presented for the year ended February 28, 2007, varied \$2,577.08 from the balance on the accounting ledger. Nearly all of this difference was caused by recording the March payroll information in February. In addition, the following comments are not made to express an opinion on internal control but to point out some control and procedures that are serving the District Library well.

- (1) The Director maintains a ledger sheet on all deposits that links the details of all deposits to their account titles.
- (2) Copies of all contracts and working agreements are filed in an organized manner.

In addition, I noted the following issues that can be addressed to improve internal control and financial reporting:

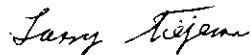
- (1) The Michigan Department of Treasury has implemented MCL 141.42 by establishing a Uniform Chart of Accounts whereby all asset, liability, equity, revenue, and expenditure accounts are labeled by specific account numbers. Though all the account names of the Lyons Township District Library are appropriate and proper, no account numbers have been used. I would recommend that the account numbers be used along with the account names.



- (2) On several occasions during the audit, it was difficult to find invoices or other supporting documentation. I would suggest that a hanging file be used for each month of the fiscal year. Each hanging file could contain file folders for revenues and expenditures. In addition, all payroll reports from ADP should be filed in a similar matter, making sure that the ADP reports contain copies of all tax compliance filings including Forms 941.
- (3) All bank statements must be reconciled to the bank on a timely basis. Reports should be printed out that show that the balances in the accounting software match the amounts in the checkbook register.
- (4) When ADP payroll information is entered as a journal entry, each memo line in the accounting software should contain an explanation. These memo entries can then be easily checked for accuracy by comparing the explanations to the entries given by ADP.

If you have any questions regarding these comments and suggestions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Larry Tiejema".

Larry Tiejema, CPA